INSURED HARVESTS

The FEDERAL CROP INSURANCE CORPORATION

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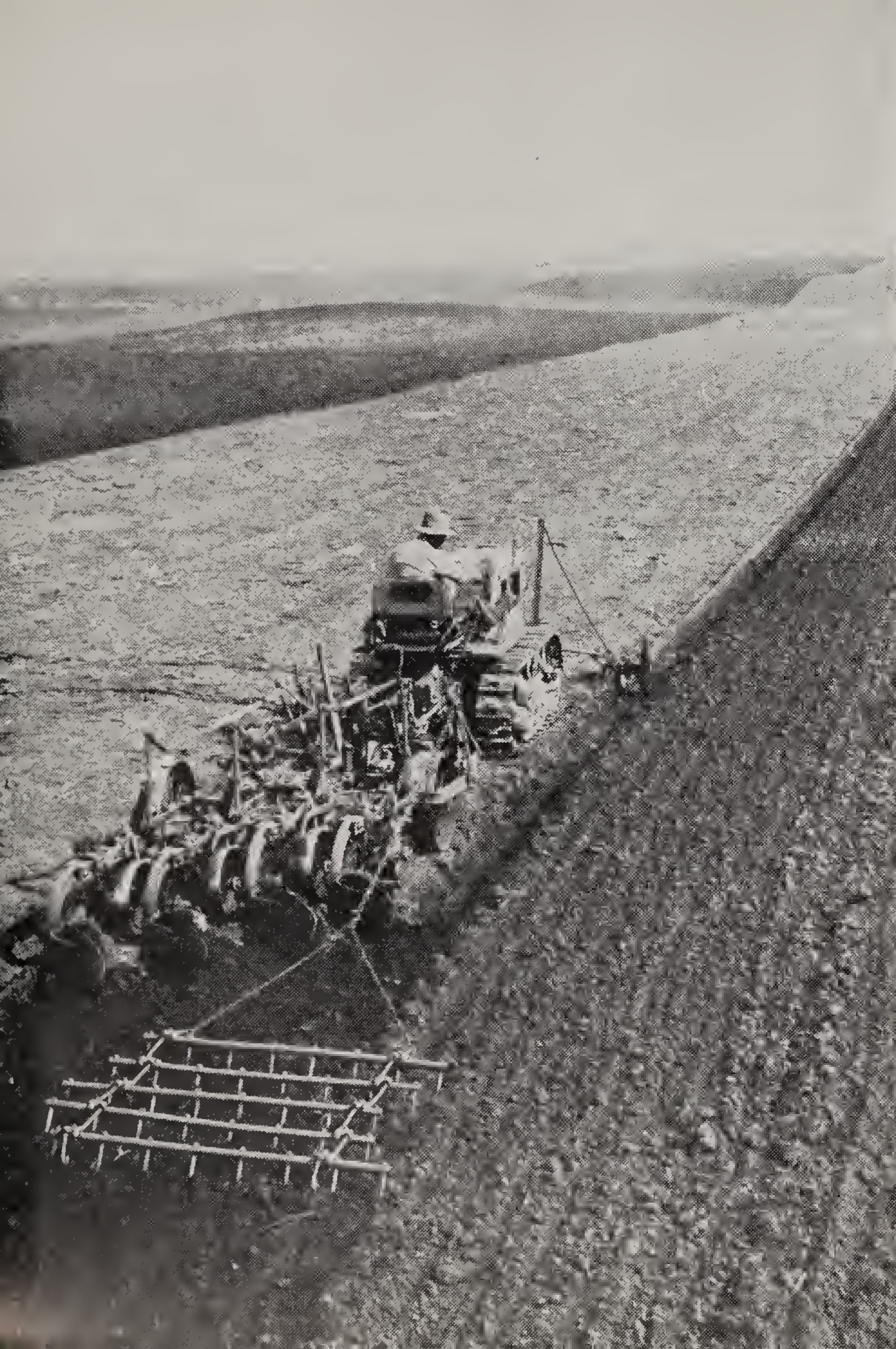
A Statement by the Secretary of Agriculture

Wheat is seed to the sower and bread to the eater. It is life, too, to the business and industry of this inland empire. Assurance that the farmer will have wheat to sell every year, and will have an income from that wheat, will help business, large and small. It will help lift the burden of debt that has been built up by crop failure. It will help put the wheat industry on its own feet, and lighten the relief load of the taxpayers. It has been suggested that instead of selling insurance to farmers at actual cost of the risk, the government ought to give it to them. But in my opinion, if farmers want to assure that their crop insurance plan will be of the greatest permanent value, they will not want it transformed into a subsidy. They will want it to help them make wheat growing a self-supporting industry.

H A Wallace

Secretary of Agriculture.



From the time the first farmer stirred the earth with a sharpened stick to plant a few seeds of a grass-like primitive wheat, up to the present age when the modern farmer sits at the controls of a streamlined tractor and tills many acres a day, all farmers have faced this one important question:

"What will the Harvest Be?" In the evolution of farming over the ages, much has been done to give the grower a better answer to this question. The wheat plant itself has been changed in the hands of men from a grass with but few small grains, to the present full-headed plant with plump, heavy berries. The skill of farmers has been directed to handling the soil in such a way that it will yield the most grain and to devising methods by which plant disease and insect enemies may be defeated. Machinery has been invented to multiply a thousand-fold the power of the grower to plow, to plant, and to harvest his crop.

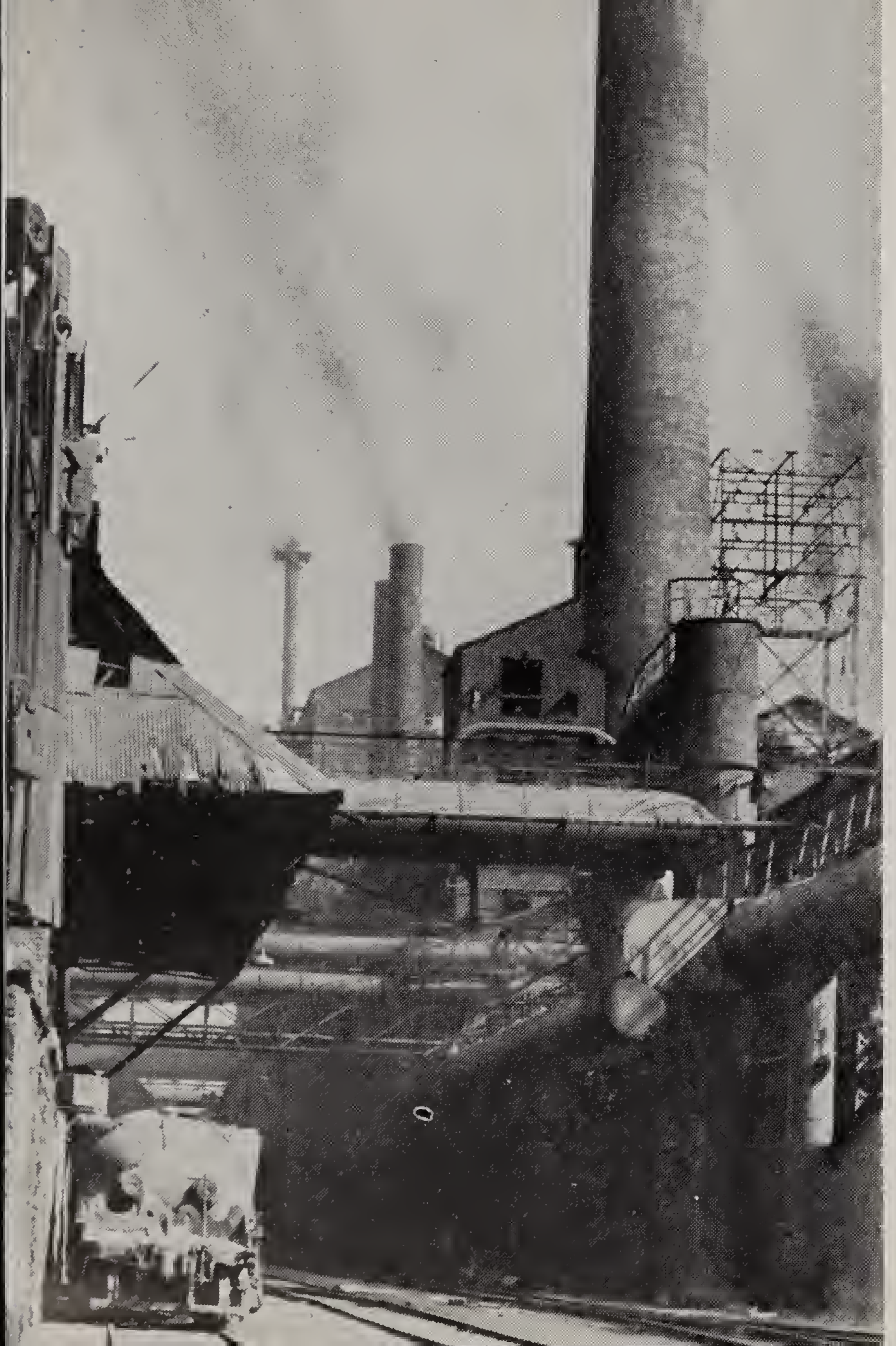
The great wheat industry of today is founded on these developments . . . yet, the individual producer does not know when he plants, what his harvest will be. Even the most modern of developments won't stop the devastating effect of drought, the danger of floods, fire, freezing, hail, and other uncontrollable factors.

The individual grower knows that he must face the possibility every year that crops planted with high hopes may not materialize into good harvests, or harvests at all.

If You Could be Sure of a Crop!

Have you ever thought how much better you could plan your farm operations if you could be sure that *every year* you would have three-fourths of a normal harvest to sell—if you could guard against the effects of a crop failure on *your* farm?

Think what it would mean to know from year to year what your minimum wheat yield is going to be! You could plan for the coming year with the assurance that you would have some wheat income; you could plan your credit needs knowing that you would have certain income to meet your obligations. You could farm for the "long pull," knowing that you and your family would reap the benefits of improvement in your land. In short, where the uncertainty of harvest and total crop failure have caused many wheat farmers to operate on a "shoestring," definite knowledge that you would have some wheat to sell *every* year would help make it possible for you to take the gamble out of wheat farming, and to farm as you would like to farm.



From the time the first cave dweller chipped arrowheads for his neighbors, down to the present day of mass production, industry has undergone a development similar to agriculture. Industry, too, has faced risks beyond the control of the individual. Fires may destroy factories; accidents may deprive the manufacturer of the services of skilled men; floods may ruin products ready for delivery; shipments may be lost or stolen. However, along with its development of skills, techniques, and machines, industry and commerce have developed an economic device—INSURANCE. Insurance protects the workman, the maker, and the shipper against these losses from unavoidable hazards. Businessmen have long found it sound practice to INSURE to protect themselves from unforeseen losses. In effect, wherever possible, the businessman makes *sure* that the processing of raw materials into finished products will yield the harvest he has planned.

For many years farmers have sought the same insurance protection for their growing crops that business and industry have long enjoyed with respect to their manufactures. However, efforts to bring the full benefits of insurance to the farmers' fields have met many serious obstacles which long delayed this much-needed protection. These were:

1. Lack of widespread information on yields and losses on *individual* farms from which premium rates might be determined.

2. Need of a large organization to administer the plan.

3. Great hazards of wheat growing.

4. The fact that such a plan, to be attractive for the growers, would not likely be profitable for the insuring agency.

5. The danger that the value of wheat might change rapidly, thus imposing on any insurance written in terms of dollars, the grave danger that the basis of settlement might change rapidly between the time the insurance was written and the time losses were settled.

One by one, the obstacles to a simple, workable insurance program were removed, and in February, 1938, the Federal Crop Insurance Corporation was established, charged by Congress with the work of conducting a program of crop insurance for wheat growers. The program was initiated for a single crop, wheat, in order that a large-scale test of the basic plan of crop insurance might be made.

Insurance Protects Industry Against These Losses...

So now, under the Federal Crop Insurance Program, you can insure your wheat crop at the time you plant it, and be sure of three-fourths of a normal harvest.

HERE IS CROP INSURANCE: The wheat crop insurance plan is a form of cooperation by the Nation's wheat growers, under which the heavy burden of crop failure may be lifted from the individual and carried by the wheat industry as a whole. Because the program is an experiment, and because a successful crop insurance program will materially reduce the need for relief assistance to unfortunate growers who have lost their incomes through recurrent crop failure, the Federal Government is carrying the cost of administering the program and the storage charges of wheat reserves. In addition, the Federal Government has provided $20,000,000 of the authorized $100,000,000 capital of the Corporation, to supplement the reserve built up from premiums paid in by farmers.

Crop Insurance Protects Farmers Against These Losses!

HOW CROP INSURANCE WORKS

Assures Wheat to Sell Every Year.—Under the crop insurance program, a wheat grower may insure either 50 or 75 percent of his average yield. The insurance is "all-risk," covering ALL losses from unavoidable hazards such as drought, flood, fire, hail, plant disease, insects, etc.

When a grower insures his crop he has answered that age-old question, "What will the harvest be?" He has set a *minimum* yield, since he *knows* at planting time that he can depend on a certain amount of wheat at harvest-time. If his land fails to produce the insured amount, he may draw on the crop insurance reserve to bring his production for the year up to the insured amount.

The "average yield" for insurance purposes is obtained for each individual farm, either by historical records of yields or by appraisal on the basis of similar farms for which records are available, for the 9 years, 1930–38, adjusted to reflect the yield of the county for the 13-year period, 1926–38. Thus, the past yield experience of the farm is used as the yardstick to measure future yields. If the grower has recently adopted improved practices which would tend to increase his average yield and decrease the chances of failure, these factors are taken into consideration, and the yields are weighted on the basis of proved experience with such practices.

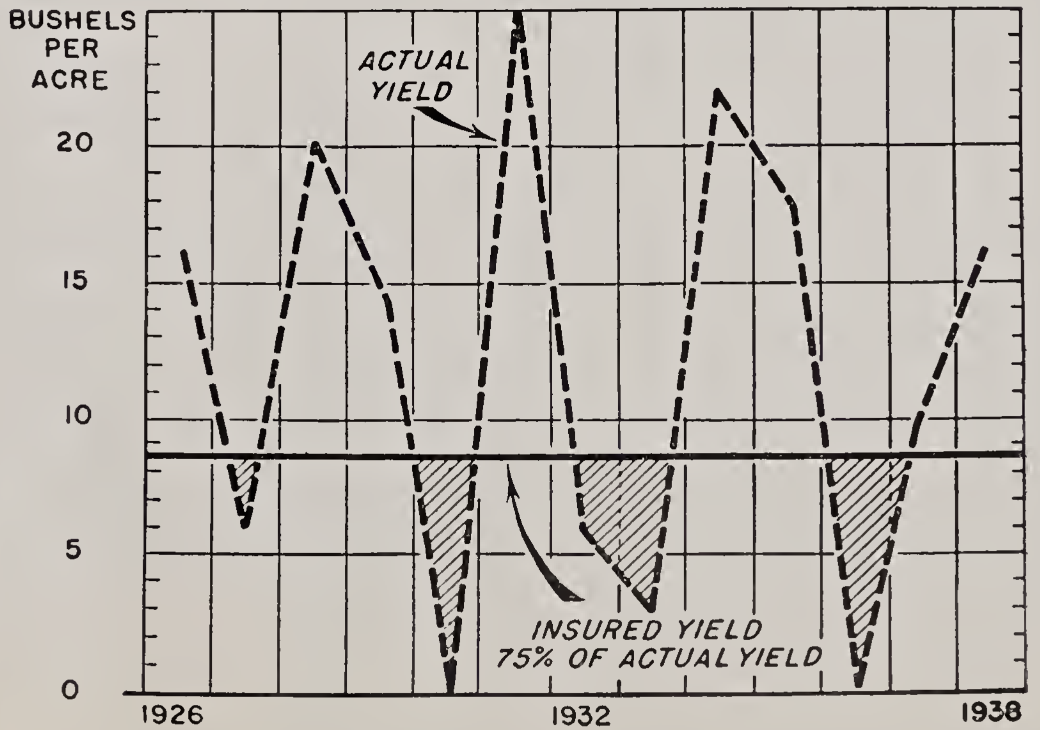
Insurance is in Terms of Wheat.—The program is "all-wheat." That is, yield alone—not price—is insured. The premium the grower pays is measured in bushels of wheat; the premiums paid are carried by the Corporation in an insurance reserve consisting of actual wheat in storage; and the settlements for losses are determined in bushels of wheat.

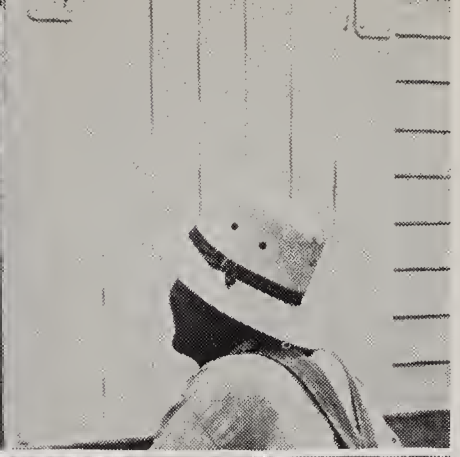
This "all-wheat" structure of crop insurance eliminates the effects of price fluctuations on the insurance program, and makes it possible to insure growers a definite yield of wheat without taking possible price changes into account. The grower, of course, need not pay his premium in actual bushels of wheat. He can pay the *cash equivalent* at the current market price, and the Corporation may then take the money and buy actual wheat for the reserve. Also, in settlement of losses, the grower may receive his insurance payment in the form of a warehouse receipt for the actual number of bushels of wheat to which he is entitled or he may receive the cash equivalent, in which case the Corporation sells from the insurance reserve the amount of wheat called for by the settlement and pays the net proceeds to the grower.

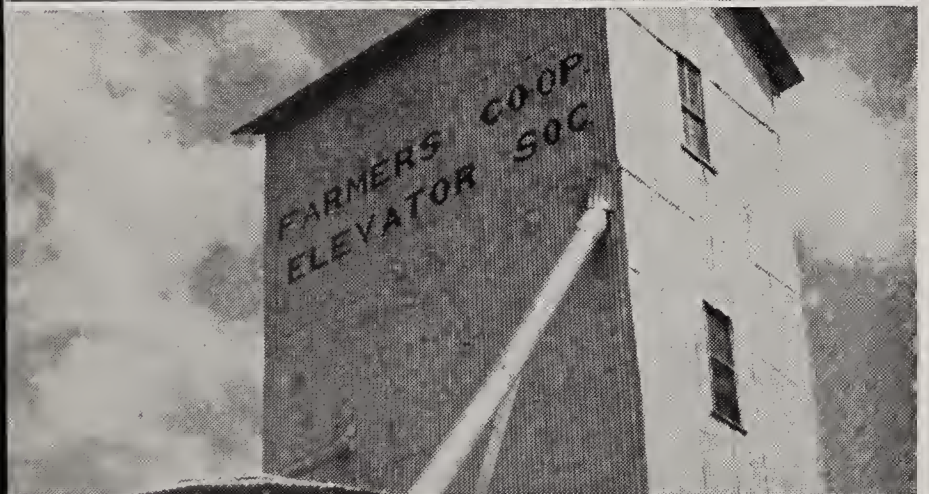
Premium Fits the Farm.—As in any other insurance, the grower pays a premium to obtain crop insurance protection. Under the crop insurance program, the premium for each individual farm is calculated on the basis of amount of risk of growing wheat, as measured by the past experience of that farm. Further, since the individual farm may have escaped some losses that were suffered by others in the community, the risk of the individual farm is averaged with that of the county to determine the premium rate. The same base period is used for calculation of premiums, as for yields.

The wheat grower who is insuring his crop can pay the premium in several ways. He can turn over to the Corporation a warehouse receipt, representing the title to actual wheat in storage in the amount of the premium. He can pay in the cash equivalent of the amount of wheat specified by his premium by check, money order or cash. Or he can pay the premium simply by executing a request for an advance against future payments to be earned under the agricultural conservation program. After the premium has been paid, and the grower's insurance application accepted by the Corporation, the application becomes a contract insuring the specified yield of wheat for the crop year.

YIELD AND LOSS RECORD OF ONE FARM







Indemnities.—The premiums paid in by growers who insure their crops go into an insurance reserve which is carried in actual wheat in storage. This reserve has one purpose, and one only—to be available for growers who suffer crop losses. Since premiums are based on average risks, it is probable that over a period of years, many growers will pay into the reserve enough premiums to meet the losses of the fewer growers who suffer misfortune with their crops.

To take care of the possible contingency of a widespread crop failure, in which losses may be above the average, the reserve is further backed by the capital fund of $100,000,000 of the Corporation, of which $20,000,000 is available this year. In the long run, premiums and indemnities should balance; however, in some years, premiums paid in will exceed indemnities, and, in others, losses will run ahead of premiums. This fund is to act as a "balancer."

An insured grower is entitled to an indemnity payment whenever the actual production of an insured crop falls below the insured production, as a result of an unavoidable hazard. For example: A grower's average yield on 100 acres is 10 bushels an acre, and he insures for 75 percent. Thus he has insured 750 bushels of production. Should the crop be wiped out, he would be entitled to an insurance payment of 750 bushels.

Should an insured grower suffer a complete crop failure, or a loss so great that it is impracticable to care further for his crop his claim for an insurance payment may be settled immediately after the loss. After the claim is adjusted, the land may be put to other use.

After the claim of the farmer has been approved, the indemnity will be payable immediately, in wheat or cash equivalent. Most losses on the 1939 crop have been settled within 14 days after the loss was adjusted.

Administered by Farmer Committees.—The wheat crop insurance program is a part of the National farm program, and is administered within States and counties by farmer committees, thus providing a direct and economical contact with the wheat producers. Average yields and premium rates for individual farms are calculated by county AAA committees on the basic formula established by the Corporation.

Collection of premium payments and adjustment of crop losses are also handled by the county committees under the supervision of the State AAA committee. The purchase and storage of grain reserves and certification of claims for payment is handled by the branch offices of the Corporation. The program is an "all-farmer" program, designed to bring a new degree of security to wheat growers, at the least possible cost, through an organization of farmers trained in the administration of Nationwide programs.

WHAT CROP INSURANCE MEANS TO YOU

The Department of Agriculture has estimated that bad weather, accidents, and other uncontrollable perils annually subtract about 300 million bushels from the Nation's wheat crop. Mr. Wheat Grower, you know that you have in the past paid your share of that great loss—perhaps in some years far more than your share. If you have been raising wheat for many years, you know what it is like to plant your crop with high hopes, and then watch the prospects for the harvest wither away under drought, sweep away on the wind, shrivel away under a wave of rust, or become lost in some other fashion.

When you look into the future, Mr. Wheat Grower, you know that in some years you will experience crop failure, no matter how well you farm. You see the uncertain prospects of a crop every year, an uncertain source of income, and you see the absolute certainties which draw on this income—living expenses for you and your family, operating expenses, interest, taxes, and others. When crop failure does strike, how will you meet these?

By taking part in the crop insurance program you can translate your uncertainty of production into a reasonable degree of certainty. Think what this means to you!

OPPORTUNITIES FOR YOUR FAMILY.—Most growers are not in agriculture to get rich, but rather to get income to maintain their families in plenty and security. Assurance of a substantial part of a crop every year will go a long way toward helping to make it possible for you to aim straight for your goal of a good family life, free of the detours that so frequently cost farm children their education, and advantages of good books and recreation.

BETTER DISTRIBUTION OF INCOME.—Crop insurance will not increase your production of wheat, but it will spread your production evenly over the years. Actually, this assurance of wheat to sell every year may mean more buying power. You know that in the years the wheat crop is short, prices generally tend to be high, and when the crop is good, prices tend to be low. In the long run *most* growers will experience crop failure in the generally poor years, which means that they will collect on their crop insurance in years when the price is strengthening. Similarly, they may pay their premiums in the years in which wheat is plentiful and cheap, thus putting surplus wheat to work protecting them against possible future crop failures.

It is estimated that had half of the wheat growers in the Nation been insured during the years 1930–36, the wheat they would have received *back* as indemnities for crop losses would have been worth $40,000,000 more than the wheat paid in as premiums. Thus you can, through crop insurance, put some of the surplus to work *for you* instead of *against you.*

Wheat to sell every year opens the way to many opportunities that are denied the crop-failure-ridden farmer.

FEWER FORCED SALES.—Farmers without a crop frequently have to raise money by selling livestock that is not in condition for sale, or on markets which are unfavorable. They sometimes are forced to sell feed that should not leave the farm, or machinery they will need in the future.

GOOD CREDIT STANDING.—A crop loss often means failure to pay a bill or debt when due. This weakens credit standing. A succession of bad debts means higher costs for everything you buy, and conflicting claimants for future income. Poor credit alone may cost the grower more than crop insurance would cost him.




BETTER PLANNING FOR FUTURE.—Crop loss may not only subtract from the grower's prospects for the year, but may also decrease his ability to do a good job of farming in the future. The grower may have a sound farm plan, based on the best long-time use of his land, but crop losses may force him to take hazardous short-cuts, which reduce his chance for future improvement of his soil and may damage the land as well. Good farming operations often require a larger outlay than a grower working on short funds or borrowed money can afford. Crop insurance will aid you in keeping free to farm the best way possible for your farm.

The Federal Crop Insurance Corporation

U. S. DEPARTMENT OF AGRICULTURE

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